

Message Text

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E.O. 11652: N/A

TAGS: ETRD, EAIR, UK

SUBJECT: ROLLS-ROYCE ENGINE FOR BOEING 747

REF: LONDON 11634

1. FINANCIAL TIMES (DR) ON SEPTEMBER 12 CARRIED FRONT-PAGE REPORT AND LONG EDITORIAL PAGE ARTICLE CONCERNING DEVELOPMENT AND PRODUCTION OF ROLLS-ROYCE RB 211-524 ENGINE DESIGNED FOR USE ON EXTENDED-RANGE LOCKHEED TRISTAR AND POSSIBLE BOEING 747. GENERAL THRUST OF BOTH STORIES WAS THAT UKG LOSING ENTHUSIASM FOR 524 ENGINE PROGRAM. ONE ARTICLE STATED THAT THIS SITUATION MAY ENCOURAGE PRATT AND WHITNEY TO RENEW EFFORTS TO NEGOTIATE OFF-SET WORK AGREEMENT WITH R-R IN ORDER KEEP LATTER OUT OF BIG ENGINE COMPETITION.

2. FT REPORTING PROMPTED DEPARTMENT OF INDUSTRY TO ISSUE STATEMENT DESIGNED TO CLARIFY UKG POSITION RE 524 ENGINE PRODUCTION. IN VIEW OF INTEREST WASHINGTON AGENCIES AS WELL AS INTEREST OF PRATT AND WHITNEY, LOCKHEED AND BOEING IN UKG INTENTIONS WITH REGARD LAUNCHING PRODUCTION OF 524 ENGINE, TEXT OF GOVERNMENT STATEMENT (AS REPORTED IN FT, SEPTEMBER 13) READS AS FOLLOWS: QUOTE

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THE GOVERNMENT WOULD SUPPORT PRODUCTION OF THE RB-211-524

AS SOON AS ORDERS ARE SECURED. ROLLS-ROYCE (1971) AND LOCKHEED ARE THEREFORE IN A POSITION TO GIVE TRISTAR CUSTOMERS AN UNDERTAKING THAT THE ENGINE WILL BE AVAILABLE IF THEY ORDER IT. ROLLS-ROYCE (1971) HAVE BEEN ADVISED THAT THE GOVERNMENT WILL SIMILARLY SHARE THE FINANCING OF THE FURTHER DEVELOPMENT OF THE 524 FOR USE IN THE BOEING 747 ONCE THE ENGINE HAS BEEN SOLD FOR USE IN THE TRISTAR AND WHEN AN ADDITIONAL MAJOR CUSTOMER HAS BEEN SECURED FOR THE 747 WITH THE 524 BEYOND THE ORDER UNDER NEGOTIATION BY BRITISH AIRWAYS.

CLEARLY, IF IN THE MEANTIME, THERE ARE MATTERS WHICH SIGNIFICANTLY AFFECT THE SITUATION, THE GOVERNMENT WOULD BE IN DUTY BOUND TO REVIEW WHAT THESE MEAN FOR THE FUTURE.

IN VIEW OF THE LARGE AMOUNTS OF PUBLIC MONEY INVOLVED, THE REQUIREMENTS THAT ORDERS BE ACHIEVED BEFORE FINAL COMMITMENT IS REASONABLE AND IN LINE WITH COMMERCIAL PRACTICE. UNQUOTE.

3. FT ALSO REPORTS THAT RR CHAIRMAN, SIR KENNETH KEITH PLANS VISIT U.S. NEXT WEEK FOR URGENT TALKS WITH LOCKHEED, TEXTRON, BOEING AS WELL AS UNNAMED AIRLINE AND BANKING OFFICIALS TO TRY TO REASSURE THEM THAT 524 ENGINE PRODUCTIONS STILL VERY LIKELY EVEN THOUGH NO DECISION YET TAKEN.

4. PRIOR TO ISSUANCE DEPT. OF INDUSTRY (DOI) STATEMENT, WE HAD CHECKED WITH WARRINGTON, UNDER SECRETARY FOR AIR, DOI, ABOUT BASIS FOR FT ARTICLES. WARRINGTON DENIED THERE HAD BEEN ANY DIMINUTION IN UKG INTEREST IN 524 ENGINE PRODUCTION SUCH AS WAS IMPLIED BY FT, AND HE BRIEFLY OUTLINED SITUATION AS LATER DESCRIBED IN DOI STATEMENT. WARRINGTON APPEARED TO BELIEVE THAT LOCKHEED LIKELY FIRM-UP EXTENDED-RANGE TRISTAR ORDER VERY SOON AND THAT UKG ANNOUNCEMENT ON PRODUCTION FUNDING COMMITMENT FOR 524 ENGINE WOULD FOLLOW SHORTLY THEREAFTER. IN RESPONSE TO OUR QUESTION, WARRINGTON SAID HE DID NOT BELIEVE FORTHCOMING ELECTION CAMPAIGN LIKELY TO HOLD-UP UKG DECISION.
SOHM

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